

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1872 - SB 1376**

March 21, 2011

**SUMMARY OF BILL:** Creates a recurring sales tax holiday for veterans to occur on the last Saturday and Sunday of every May. Items exempted during this sales tax holiday include clothing with a sales price of \$100 or less per item, computers with a sales price of \$1,500 or less, books with a sales price of \$50 or less, sports, fitness and recreational equipment with a sales price of \$100 or less per item, televisions with a sales price of \$1,000 or less, and game and billiard tables and accessories with a sales price of \$500 or less per item. Requires veterans to provide proof of veteran status to retailers prior to purchases. Requires retailers to report to the Department of Revenue (DOR) exempt sales made by the retailer.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$10,852,300**

**Decrease Local Revenue - \$4,584,800**

**Assumptions:**

- According to DOR, this bill does not limit the sales tax holiday to qualified veterans who reside in Tennessee.
- DOR estimates that approximately 902,750 veterans will utilize the sales tax holiday (this number includes Tennessee veterans plus ten percent of veterans who reside in states which are contiguous to Tennessee).
- Based on information provided by DOR, each veteran will spend an average of \$180 on sales tax exempt items during the sales tax holiday.
- Total retail sales exempted are estimated to be \$162,495,000 (902,750 x \$180).
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103 (a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- Local governments are not held harmless from the loss of sales tax revenue.
- The net decrease in state revenue will be \$10,852,269 [(\$162,495,000 x 7.0%) - (\$162,495,000 x 7.0% x 4.5925%)].
- The decrease in local government revenue will be \$4,584,756 [(\$162,495,000 x 2.5%) + (\$162,495,000 x 7.0% x 4.5925%)].

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc